

The Effect of Working Capital Management and Financial Literacy Mediated by Financial Inclusion on The Financial Performance of Poklahsar in Padang City

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ABSTRACT

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The fisheries sector is vital to Indonesia's economy, yet POKLAHSAR (fishery MSMEs in Padang City) struggle with financial sustainability due to poor working capital management, low financial literacy, and limited financial inclusion. Prior studies highlight these challenges but lack empirical evidence on their interplay in fishery-based MSMEs. This study investigates how financial inclusion mediates the effects of working capital management and financial literacy on the financial performance of POKLAHSAR. Quantitative data from 65 POKLAHSAR groups (2019–2023) were analyzed using SEM-PLS (SmartPLS 4.1), incorporating descriptive statistics, measurement/structural model evaluations, and validity/reliability tests (Cronbach's $\alpha > 0.70$, AVE > 0.50). Financial inclusion significantly enhances financial performance ($\beta = 0.590$, $p < 0.05$, $f^2 = 0.547$), supporting H1. Conversely, financial literacy and WCM show no direct effects on inclusion or performance ($p > 0.05$), rejecting H2–H5. The model's goodness-of-fit (GoF = 0.430) confirms robustness. Policymakers should prioritize expanding financial access (e.g., digital banking, microfinance) for POKLAHSAR, while future research should explore sector-specific literacy interventions and longitudinal designs.

Keywords: Working Capital Management; Financial Literacy; Financial Inclusion and Financial Performance

INTRODUCTION

The fisheries sector plays an important role in the Indonesian economy, especially in coastal cities such as Padang City (Firdaus, 2019; Muhayat & Haslita, 2022; Pratama et al., 2022; Sulistyaningsih & Suryaningsih, 2021). Padang City has a coastline of 68,126 km and is a maritime city with 2/3 of its territory consisting of waters and 1/3 of land. Such geographical conditions make Padang City a city that has abundant fish resources. Overcoming abundant fish production during the harvest season, fishermen form groups of fishery product processors and marketers which are groups of Micro, Small and Medium Enterprises (MSMEs).

POKLAHSAR as the main player in fishery product processing in Padang City has grown into 156 groups spread across 11 coastal sub-districts. The production value of the POKLAHSAR group reaches IDR 156 billion per year with various processed products such as salted fish, smoked fish, fish crackers, and other processed products. The market potential for fishery products is also very promising, with increasing demand from both local and regional markets. Data shows an increase in demand of 15% per year in the last three years, with the main markets covering West Sumatra, Riau, and Jambi.

Initially, POKLAHSAR grew rapidly in terms of quantity, but minimal in terms of quality. This is because in the following years, POKLAHSAR was unable to survive and

compete with other competitors. Based on data from the Padang City Fisheries and Food Service in 2023, the Processing and Marketing Groups (POKLAHSAR) in Padang City showed performance that still needed significant improvement. Of the total 174 registered POKLAHSARs, only 37% or 65 groups were still actively operating, while the rest were inactive or had stopped operating.

According to Rostin et al. (2021) SMEs in the Indonesian fisheries sector face three significant challenges that can lead to bankruptcy: limited market access, minimal adoption of technology, and weak working capital management. These three factors directly impact profitability and business sustainability. Meanwhile, Sari et al. (2022) identified that weak financial management is a critical factor in the failure of POKLAHSAR. This study found that the majority of POKLAHSAR actors do not have an adequate financial recording system and have difficulty managing cash flow, which ultimately hinders their access to formal funding. According to Arifin et al. (2023) in their research, financial literacy is an important determinant of the sustainability of POKLAHSAR businesses. Low levels of financial literacy result in difficulties in managing cash flow, making investment decisions, and accessing formal financing.

This study shows a positive correlation between the level of financial literacy and the survival rate of POKLAHSAR. One of the main challenges faced by the Fishery Product Processing and Marketing Group (POKLAHSAR) in Padang City in developing their business is limited working capital. This problem arises because POKLAHSAR is often considered not to meet the creditworthiness criteria (bankable) by these institutions. One of the main factors that causes POKLAHSAR to be considered unbankable is the lack of formal legality, where most POKLAHSAR do not have a legal entity or notarial deed of establishment that can provide legal guarantees for financial and non-financial institutions. This statement is supported by research by Kurniawati et al. (2021) Where small and medium enterprises (SMEs) in the fisheries sector in Indonesia, including POKLAHSAR, often face obstacles in accessing formal financing due to lack of collateral, limited financial records, and unclear legal status.

The decline in POKLAHSAR's financial performance is directly proportional to the decline in profitability as a result of the inability to maintain working capital to cover operational costs. In fact, profitability is the main key for MSMEs to survive in the midst of business competition. POKLAHSARs that are unable to survive go bankrupt or are no longer active. Another challenge faced by POKLAHSAR is the poorly understood working capital management. POKLAHSAR working capital funding should be financed with short-term debt and long-term debt while still paying attention to the ability to pay and the proportional composition of debt and equity, so that it will not reduce the net profit obtained

The next factor that is thought to influence the performance of POKLAHSAR in Padang City is Financial Literacy. According to Lusardi and Mitchell (2014), a good level of financial literacy is positively correlated with better financial decision-making, which in turn can improve household welfare and small business performance. Improving financial literacy becomes increasingly important given the unique characteristics of the fisheries industry, such as seasonal fluctuations in supply and demand, and uncertainty in market prices. According to research by Arifin et al. (2023), SMEs in the fisheries sector in Indonesia, including POKLAHSAR, often face difficulties in managing cash flow, accessing formal financing, and making appropriate investment decisions due to low levels of financial literacy. Furthermore, Wijaya et al. (2022) revealed that improving financial literacy among small-scale fisheries

business actors can increase the adoption of digital financial technology, which has the potential to expand their access to formal financial services and improve operational efficiency.

The next final factor is Financial Inclusion, Financial inclusion has become a mediating factor between working capital management and financial literacy in efforts to develop the Micro, Small, and Medium Enterprises (MSMEs) sector, including the Fish Processing and Marketing Group (POKLAHSAR). Increasing access to formal financial services is believed to have a significant impact on the performance and sustainability of small and medium-scale businesses. Huis et al. (2023) financial inclusion, especially access to formal credit and digital banking services, is positively correlated with increased productivity and profitability of SMEs in the fisheries sector in developing countries. Arifin et al. (2022) SMEs in the seafood processing sector that have better access to formal financial services show improvements in financial management, technology adoption, and market expansion, which in turn have a positive impact on their business performance. These findings suggest that financial inclusion not only improves access to capital but also encourages better management practices among POKLAHSAR. According to Nugroho et al. (2023) The main obstacles in increasing financial inclusion among fisheries SMEs include lack of financial literacy, limited collateral, and digital infrastructure gaps in coastal and rural areas.

This article aims to measure the extent to which financial performance is influenced by working capital management and financial literacy mediated by financial inclusion of POKLAHSAR in Padang City. This study advances existing literature by investigating the mediating role of financial inclusion in the relationship between working capital management (WCM), financial literacy, and financial performance among POKLAHSAR (fishery product processors and marketers) in Padang City, Indonesia. While previous studies Trianto (2021), Sugiharti & Maula (2019) have addressed these variables individually in broader MSME settings, this research uniquely centers on fisheries-based MSMEs, which encounter specific challenges such as seasonal income and limited financial access (Rostin et al., 2021; Arifin et al., 2023). Distinct from earlier works Maysuri and Dalimunthe (2018), Kusuma and Bachtiar (2018), serta Kamal, Rachmina, and Feryanto (2023) that examined direct effects, this study demonstrates financial inclusion as a crucial mediator, particularly where WCM and literacy alone show non-significant direct impacts. Moreover, it highlights the contextual limitations of financial literacy's influence, diverging from general findings by Lusardi & Mitchell (2014) and Yakob et al. (2021). Employing SEM-PLS with saturated sampling (n=65) and rigorous validation techniques like Fornell-Larcker and HTMT, it addresses methodological gaps noted in prior SME research (Hair et al., 2019).

METHOD

The study utilized quarterly time series data from 2019 to 2023, covering 65 groups of fishery product processors and marketers in Padang City. Data was collected through field research, which included interviews, direct observation, and questionnaires, as well as literature research involving scientific articles from indexed international and national journals.

The analysis was conducted using SEM PLS (Structural Equation Modeling – Partial Least Square) with SmartPLS version 4.1. Two main analytical approaches were applied: descriptive statistical analysis to summarize the data, and inferential analysis, which consisted of measurement model evaluation and structural model evaluation to test relationships between variables.

RESULT AND DISCUSSION

Evaluation of Measurement Model (Measurement Model Outer Model)

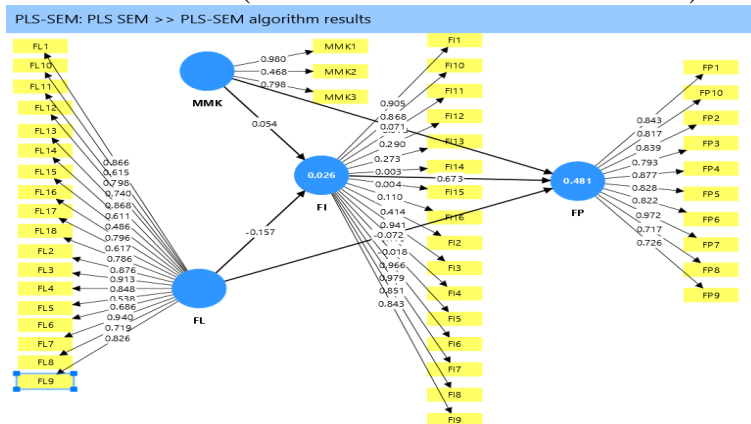


Figure 1. Initial Diagram Path (Stage 1)

Based on the rules that have been explained by Hair et al 2021, it can be seen that the path diagram still has a loading factor value below 0.70. as seen in table 1. The treatment of the loading factor value below 0.70 is to remove it from the structural model. A Loading factor value below 0.70 reflects data invalidity. The value of the loading factor that is below 0.70 there are 15 loading factors that indicate that the indicator has not provided strong validity, or that the indicator has not made a strong contribution to the research. Load factor values that are below 0.70 will be removed. Then it is also seen that the VIF value that is above 5 also needs to be repeatedly deleted. The following is a table of loading factors and VIF after 2 removals.

Table 1. Outer Loading After 2 Removals

Variable Indicator	Outer Loading Value		
	Start	Stage 1	Stage 2 (End)
Working Capital Management			
MMK1	0.980	0.987	0.975
MMK2	0.468	delete	delete
MMK3	0.798	0.845	0.877
Financial Literacy			
FL1	0.866	0.864	delete
FL10	0.615	delete	delete
FL11	0.798	0.789	delete
FL12	0.740	0.740	delete
FL13	0.868	0.868	0.871
FL14	0.611	delete	delete
FL15	0.486	delete	delete
FL16	0.796	0.796	0.783
FL17	0.617	delete	delete
FL18	0.786	0.786	delete
FL2	0.876	0.876	delete
FL3	0.913	0.913	delete
FL4	0.848	0.848	0.826

FL5	0.538	delete	delete
FL6	0.686	delete	delete
FL7	0.940	0.940	delete
FL8	0.719	0.719	delete
FL9	0.826	0.826	0.882
FL1	0.866	0.866	delete
FL10	0.615	delete	delete
Financial Inclusion			
FI1	0.905	0.905	delete
FI10	0.868	0.868	0.875
FI11	-0.073	delete	delete
FI12	0.290	delete	delete
FI13	0.273	delete	delete
FI14	0.003	delete	delete
FI15	0.004	delete	delete
FI16	0.110	delete	delete
FI2	0.414	delete	delete
FI3	0.941	0.941	delete
FI4	0.179	delete	delete
FI5	-0.018	delete	delete
FI6	0.966	0.966	delete
FI7	0.979	0.979	delete
FI8	0.851	0.851	0.917
FI9	0.843	0.843	0.909
Financial Performance			
FP1	0.843	0.843	0.847
FP10	0.817	0.817	0.820
FP2	0.839	0.839	0.822
FP3	0.793	0.793	0.815
FP4	0.877	0.877	0.843
FP5	0.828	0.828	0.821
FP6	0.822	0.822	0.724
FP7	0.972	0.972	0.715
FP8	0.717	0.717	delete
FP9	0.726	0.726	delete

Source: Output SmartPLS 4

So that the shape of the model will change as below:

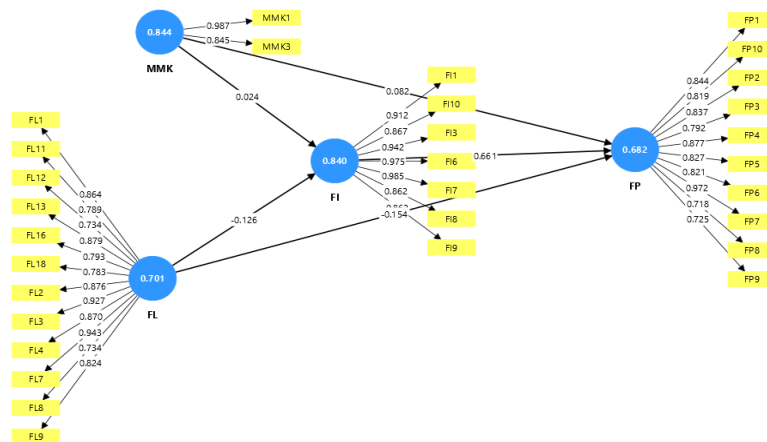


Figure 2. Path Diagram Stage 2

From the table above, it can be seen that the loading factor value below 0.70 no longer exists. This means that all indicators that affect variables can be said to be valid. Working Capital Management indicators, which previously amounted to 3 indicators, now there are only 2 indicators, namely MMK1 (Days or Sales Outstanding) and MMK3 (Day of Payment Outstanding). The Financial literacy variable, which originally had 18 indicators, now only has 4 indicators. The financial inclusion mediation variable, which originally had 16 indicators, now has only 3 indicators. The exogenous variable Financial Performance which totals 10 indicators is now only 8 indicators.

Table 2. Outer Loading, Cronbach Alpha, Convergent Reliability and AVE

Variabel	Kode	Indikator	Outer Loading	Cronbach Alpha	Composite Reliability	AVE
Manajemen Modal Kerja	MMK 1	Days of Sales Outstanding (DSO)	0.975	0.856	1.249	0.860
	MMK 3	Days of Payment Outstanding (DSO)	0.877			
Financial Literacy	FL4	Compoun interest	0.826	0.878	0.972	0.708
	FL9	Responsible and has a household budget	0.882			
	FL13	Long term financial goal setting	0.871			
	FL16	Time Preference	0.783			
Financial Inclusion	FI10	Retirement and saving principal	0.875	0.883	0.883	0.811
	FI8	Retirement and insurance behaviour	0.917			
	FI9	Retirement and insurance attitude	0.909			

Financial	FP1	Gross Profit Margin	0.844	0.921	0.935	0.644
Performanc	FP10	Operating Profit Margin	0.819			
e	FP2	Net Profit Margin	0.837			
	FP3	OIROI	0.792			
	FP4	Time Interest Earning	0.877			
	FP5	Return On Assets	0.827			
	FP6	Return On Equity	0.821			
	FP7	Return On Investment	0.972			

Working Capital Management is measured by 2 indicators, namely MMK 1 (average days needed to convert sales into cash) and MMK 3 (average days needed to repay loans) with outer loading values of 0.975 and 0.877 which reflect that both measurement items are valid for the measurement of working capital management variables.

The level of reliability of the variable is acceptable as evidenced by the Cronbach Alpha and Composite Reliability values above 0.70 (realistic). The level of convergent validity is indicated by an AVE value of 0.860 > 0.50 which means that it has met the requirements of good convergent validity. Overall, the measurement items contained in the variables have reached 86.60%. Of the 2 measurement items, the MMK 1 (Days of Sales Outstanding) measurement item has the highest outer loading point, which is 0.987 compared to MMK3 (Days of Payment Outstanding). Thus the entire item of measurement of the average day required in converting sales into cash is very good compared to the average day in debt repayment. Therefore, the tendency of POKLAHSAR to always delay in debt payments needs to be eliminated.

Financial Literacy is measured by 4 measurement items where FL9 (Responsible and has a household budget) and FL13 (Long term financial goal setting) have the highest outer loading values of 0.882 and 0.871. Meanwhile, for 2 more measurement items, namely FL4 (Compound interest) and FL16 (Time Preference), they were below it with sequential values of 0.826 and 0.783. Thus, all measurement items are valid for literacy financial variable measurement items. But for time preference, it is necessary to increase understanding again. The level of reliability of the variable is acceptable as evidenced by the Cronbach Alpha and Composite Reliability values above 0.70 (realistic). The level of convergent validity indicated by an AVE value of 0.708 > 0.50 means that it has met the requirements of good convergent validity. The measurement items contained in the variable have reached 70.80%. This means that POKLAHSAR's understanding of budget preparation and long-term financial planning.

The last Validity and Feasibility test is discriminant Validity which is measured by Fornell – Larcker, HTMT and Cross Loading values. The following are the results of the Fornell-Larcker and HTMT measurements.

Tabel 3. Fornell – Larcker Criterion Result

Variables	Financial Inclusion	Financial Literacy	Financial Performance	Working Capital Management
Financial Inclusion	0.900			
Financial Literacy	-0.157	0.841		
Financial Performance	0.605	-0.161	0.802	
Working Capital Management	0.046	0.101	0.088	0.927

Source : Output SmartPLS 4

Based on the results of the Fornell – Larcker Criterion test, the square root value of the Financial Inclusion AVE is greater than the correlation value of Financial Literacy ($0.900 > 0.841$). The square root value of AVE Financial Literacy is greater than Financial Performance ($0.841 > 0.802$), then the square root value of AVE Working Capital Management is greater than financial performance ($0.927 > 0.802$). In addition, the square root value of working capital management is greater than that of financial literacy and financial inclusion. Thus the requirements of the discriminant value validity have been met and are acceptable.

Tabel 4. HeteroTrait – MonoTrait Ratio

Variable	Financial Inclusion	Financial Literacy	Financial Performance	Working Capital Management
Financial Inclusion				
Financial Literacy	0.143			
Financial Performance	0.648	0.177		
Working Capital Management	0.059	0.154	0.103	

Based on the results of SMARTPLS data processing, there is no HTMT value above 0.90, in other words that the validity of the discriminant has been met and is acceptable.

Tabel 5. Cross-Loading

	FI	FL	FP	MMK
FI10	0.875	-0.183	0.543	0.014
FI8	0.917	-0.152	0.538	0.080
FI9	0.909	-0.088	0.552	0.030
FL13	-0.068	0.871	-0.176	0.126
FL16	-0.101	0.783	-0.090	0.088
FL4	-0.054	0.826	-0.005	0.089
FL9	-0.208	0.882	-0.157	0.058
FP1	0.432	-0.103	0.847	0.068
FP10	0.669	-0.190	0.820	0.094
FP2	0.450	-0.167	0.822	-0.001
FP3	0.464	-0.022	0.815	0.086
FP5	0.428	-0.060	0.843	0.025
FP6	0.472	-0.120	0.821	-0.021
FP8	0.501	-0.129	0.724	0.164
FP9	0.335	-0.224	0.715	0.134
MMK1	0.045	0.056	0.104	0.975
MMK3	0.040	0.181	0.038	0.877

In addition to evaluating the Fornell – Larcker Criterion and HTMT values, the researchers also considered the Cross Loading values. Cross Loading is a measure that shows that the external loading value of the indicator in the related construct must be greater than the

Cross Loading value in other constructs. The recommended value of Cross Loading is > 0.70 . Based on table 4.16, it can be seen that there are 17 measurement items that meet the Cross Loading above 0.70.

Structural Evaluation (Structural Model)

Formative Measurement Evaluation emphasizes more on the significance of outer weight and the presence or absence of multicollinearity between variable indicators as evidenced by a VIF value of < 5 (Hair et al, 2021). To see more of the VIF value, the following outer weight table data is presented below:

Tabel 6. Outer Weight, P Value, Outer Loading dan VIF

Variables	Codes	Indicator	Outer - Weight	P Value Outer Weight	Outer Loading	P Value Outer Loading	Outer VIF
Financial Inclusion	FI10	Retirement and saving principal	0.375	0.000	0.875	0.000	2.067
	FI8	Retirement and insurance behaviour	0.371	0.000	0.917	0.000	3.007
	FI9	Retirement and insurance attitude	0.366	0.000	0.909	0.000	2.876
Financial Literacy	FL13	Compound interest	0.334	0.189	0.871	0.000	3.231
	FL16	Responsible and has a household budget	0.260	0.212	0.783	0.000	1.975
	FL4	Long term financial goal setting	0.079	0.805	0.826	0.000	3.401
	FL9	Time Preference	0.498	0.169	0.882	0.000	1.706
Financial Performance	FP1	Gross Profit Margin	0.143	0.000	0.847	0.000	3.249
	FP10	Operating Profit Margin	0.222	0.000	0.820	0.000	2.274
	FP2	Net Profit Margin	0.149	0.000	0.822	0.000	3.474
	FP3	OIROI	0.151	0.000	0.815	0.000	4.513
	FP5	Time Interest Earning	0.139	0.000	0.843	0.000	4.433
	FP6	Return On Assets	0.153	0.000	0.821	0.000	3.491
	FP8	Return On Equity	0.170	0.000	0.724	0.000	1.965
	FP9	Return On Investment	0.120	0.189	0.715	0.000	2.021
Working Capital Management	MMK1	Days of Sales Outstanding (DSO)	0.724	0.212	0.975	0.000	2.268
	MMK3	Days of Payment Outstanding (DSO)	0.335	0.805	0.877	0.000	2.268

Source : Research Data, SmartPLS Output

From the results of SmartPLS processing displayed in table 6, it is stated that the significance of each indicator contained in each variable can be seen from the P Value of the Outer Weight, if the P Value of the outer weight < 0.05 then the indicator is considered significant (Hair et al, 2021). But the P Value of the Outer Weight is below 0.05, do not delete it. Pay attention to the Outer Loading value, if the Outer Loading > 0.70 , it will still be

maintained. The Financial Inclusion indicator has a significance below 0.05 which is indicated by a P Value < 0.05 . Thus, Retirement and saving principal (principle of retirement savings funds), Retirement and insurance behavior (behavior towards pension and insurance funds) have significance for Financial Performance.

The results of this study are in line with the results of previous research conducted by Trianto (2021) which stated that financial inclusion has a high significance on financial performance. Similarly, this opinion is also supported by Septiani & Wuryani (2020) that financial inclusion has a significant impact on financial performance.

Meanwhile, financial literacy from 4 indicators of measurement Compound interest, Responsible and has a household budget, Long term financial goal setting and Time Preference none have a P Value Outer weight value of < 0.05 . With the result of the P Value Outer weight above 0.05, it shows that financial literacy does not have a strong significance on financial performance. This statement is in line with previous research put forward by Sugiharti & Maula (2019) which said that financial literacy does not have a significant impact on financial performance.

Similar results are also shown by the working capital management variable which has a P Value outer weight value of > 0.05 . Days of Sales Outstanding and (DSO) Days of Payment Outstanding (DSO), which are variants in determining the Cash Conversion Cycle (CCC), do not have a strong significance on financial performance. The results of this study contradict previous research conducted by Maysuri and Dalimunthe (2018), Kusuma and Bachtiar (2018), serta Kamal, Rachmina, and Feryanto (2023) which stated that Working Capital Management has a significant effect on financial performance.

Multicollinearity

Table 7. Variance Inflation Factor (VIF)

Indikator	VIF	Information
Retirement and saving principal	2.067	No Multicollinearity
Retirement and insurance behaviour	3.007	No Multicollinearity
Retirement and insurance attitude	2.876	No Multicollinearity
Compoun interest	3.231	No Multicollinearity
Responsible and has a household budget	1.975	No Multicollinearity
Long term financial goal setting	3.401	No Multicollinearity
Time Preference	1.706	No Multicollinearity
Gross Profit Margin	3.249	No Multicollinearity
Operating Profit Margin	2.274	No Multicollinearity
Net Profit Margin	3.474	No Multicollinearity
OIROI	4.513	No Multicollinearity
Time Interest Earning	4.433	No Multicollinearity
Return On Assets	3.491	No Multicollinearity
Return On Equity	1.965	No Multicollinearity
Return On Investment	2.021	No Multicollinearity
Days of Sales Outstanding (DSO)	2.268	No Multicollinearity

Days of Payment Outstanding (DSO)	2.268	No Multicollinearity
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Source : Output SmartPLS 4

The results of Table 7 show that the VIF value is at < 5 . This means that there is no multicollinearity between variables in this study.

Hypothesis Test, F Square and R Square

a. Hypothesis Test

Table 8: Hypothesis Test Results

Effect	Path coefficients	P values	Information	f-square
Financial Inclusion-> Financial Performance	0.590	0.000	Significantly, H1 accepted by Ho rejected	0.540
Financial Literacy -> Financial Inclusion	-0.163	0.272	Insignificant, H1 rejected, Ho accepted	0.027
Financial Literacy -> Financial Performance	-0.075	0.525	Insignificant, H1 rejected, Ho accepted	0.009
Working Capital Management -> Financial Inclusion	0.063	0.690	Insignificant, H1 rejected, Ho accepted	0.004
Working Capital Management -> Financial Performance	0.068	0.562	Insignificant, H1 rejected, Ho accepted	0.007

Source: Output Smart PLS

b. Test R Square

The R-Square test is a statistical measure used to measure how well a linear regression model explains variance in dependent variables. R Square is also known as the determination coefficient. The value of the r-Square ranges between 0 and 1. If R Square = 0 it means that the regression model does not explain the variance in the dependent variable. If R Square = 1 means that the regression model explains all the variances in the dependent variable. If the R Squarre is between 0 and 1, it means that the regression model explains some of the variance in the dependent variable

Tabel 9. R Square dan R Square Adjusted

	R-square	R-square adjusted
Financial Inclusion	0.029	-0.003
Financial Performance	0.375	0.344

Based on table 9, it is explained that the value of the Financial Inclusion R Square is 0.029, meaning that it is between 0 and 1. It can be interpreted that the regression model explains some of the variance in the dependent variable. The following is presented the final model after bootstrapping.

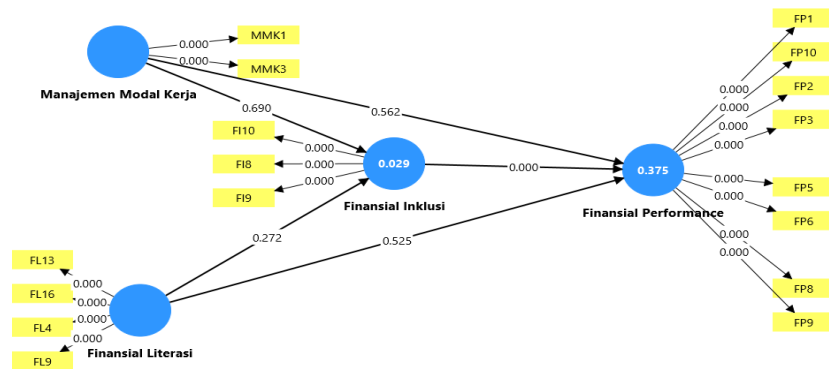


Figure 3. Final Path

SRMR (Standardized Root Mean Square Residual) Analysis

In Yamin (2022), the SRMR value is a measure of model fit (model fit) between the data correlation matrix and the model estimation correlation matrix. In Hair et al (2021) stated that the SRMR value below 0.08 indicates that the model is suitable. However, Karin Schmelleh et al (2003) stated that the SRMR value of 0.08 to 0.10 is expressed with acceptable fit. The estimated results as presented in table 10 below show that the value of 0.083 can be said to be acceptable fit.

Tabel 10. SRMR

	Saturated model	Estimated model
SRMR	0.083	0.083

Goodness of Fit Index (Gof Index)

The GoF Index is an overall evaluation between the evaluation of the measurement model and the structural evaluation of the model. The GoF Index can be measured from a reflective measurement model, which is the root of the geometric multiplication of the average communality by the average of R square. According to Wetzels (2009) in Yamin (2022), the interpretation of the GoF Index is as follows: Low (0.1), Medium (0.25) and High (0.36).

Tabel 11. GoF Index

Variables	Indicator	Outer Loading	Communality	Var	R²	GoF Index
Financial Inclusion	Retirement and saving principal	0,875	0,935414347	Financial Inclusion	0,029	0,430436
	Retirement and insurance behavior	0,917	0,95760117	Financial Performance	0,375	

Financial Literacy	Retirement and insurance attitude	0,909	0,953414915
	Compound interest	0,871	0,933273808
	Responsible and has a household budget	0,783	0,884872872
	Long term financial goal setting	0,826	0,908845421
	Time Preference	0,882	0,939148551
Financial Performance	Gross Profit Margin	0,847	0,920326029
	Operating Profit Margin	0,82	0,905538514
	Net Profit Margin	0,822	0,906642157
	OIROI	0,815	0,902773504
	Time Interest Earning	0,843	0,918150314
	Return On Assets	0,821	0,906090503
	Return On Equity	0,724	0,850881895
	Return On Investment	0,715	0,845576726
Working Capital Management	Days of Sales Outstanding (DSO)	0,975	0,987420883
	Days of Payment Outstanding (DSO)	0,877	0,936482781
Rata-rata		0,917203199	0,202

The results of SmartPLS processing obtained the GoF Index result of 0.430436. If referring to the value stated by Wetzels et al (2009), then the Gof Index is included in the high category. This means that empirical data is able to explain the fit between measurement models and structural models.

CONCLUSION

The study found that financial inclusion has a strong, significant positive effect on financial performance ($p < 0.05$, $f^2 = 0.547$), supporting Hypothesis H1. However, financial literacy showed no significant direct impact on financial inclusion ($p > 0.05$, $f^2 = 0.027$) or financial performance ($p > 0.05$, $f^2 = 0.009$), leading to the acceptance of the null hypotheses (H0). Similarly, working capital management had no significant influence on financial inclusion ($p > 0.05$, $f^2 = 0.004$) or financial performance ($p > 0.05$, $f^2 = 0.007$). For future

research, expanding the sample to diverse industries and regions, exploring mediating/moderating variables (e.g., digital finance, policy interventions), adopting longitudinal or alternative analytical methods (e.g., machine learning), and conducting qualitative studies on financial literacy barriers are recommended to deepen understanding and validate these findings. Additionally, policy-based research could assess how interventions enhance financial inclusion and business outcomes.

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